



**Organto Foods Inc.**  
1090 Hamilton Street  
Vancouver, B.C.  
V6B 2R9  
Canada

**Condensed Interim Consolidated Financial Statements**  
**(Unaudited)**

**For the Nine Months Ended**  
**September 30, 2020**

**(Stated in Canadian Dollars)**

## **NOTICE OF NO REVIEW BY AUDITOR**

In accordance with National Instrument 51-102 *Continuous Disclosure Obligations* of The Canadian Securities Administrators we hereby give notice that our condensed interim consolidated financial statements for the three and nine months ended September 30, 2020, which follow this notice, have not been reviewed by an auditor.

**Organto Foods Inc.**Condensed Interim Consolidated Statements of Financial Position  
(Unaudited – expressed in Canadian Dollars)

	September 30, 2020 (\$)	December 31, 2019 (\$)
<b>Assets</b>		
Current assets		
Cash	884,227	54,565
Receivables (note 3)	954,646	202,923
Inventories (note 4)	17,234	78,401
Prepaid expenses (note 5)	410,708	175,527
	2,266,815	511,416
Non-current assets		
Property, plant and equipment (note 6)	9,668	12,226
Investment securities (note 7)	2,137,389	2,137,389
Loan receivable (note 8)	72,839	66,951
	<b>4,486,711</b>	<b>2,727,982</b>
<b>Liabilities and Shareholders' deficit</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 17(c))	3,412,302	2,766,900
Bank loan (note 9)	-	650,894
Loan due to Omega S.A. (note 10)	24,588	23,950
Short-term loans payable (notes 11 and 17(e))	703,923	1,097,024
	4,140,813	4,538,768
Non-current liabilities		
Convertible debentures (note 12)	2,015,600	-
<b>Total liabilities</b>	<b>6,156,413</b>	<b>4,538,768</b>
Shareholders' deficit		
Share capital (note 13)	18,495,592	17,061,697
Shares to be (returned) (note 8)	(440,494)	(440,494)
Reserves (note 13(e))	2,954,014	2,737,436
Deficit	(22,678,814)	(21,169,425)
<b>Total shareholders' deficit</b>	<b>(1,669,702)</b>	<b>(1,810,786)</b>
	<b>4,486,711</b>	<b>2,727,982</b>

Nature of operations and going concern (note 1)

Commitments (note 20)

Subsequent events (note 21)

The accompanying notes are an integral part of these consolidated financial statements.

**Organto Foods Inc.**Condensed Interim Consolidated Statements of Comprehensive Loss  
(Unaudited – expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Sales (note 19)	2,737,081	1,935,094	6,510,856	2,128,551
Cost of sales (note 14)	2,451,130	1,761,434	5,831,924	1,977,757
Gross profit (loss)	285,951	173,660	678,932	150,794
Selling, general and administration expenses (note 15)	163,250	193,888	538,566	603,008
Management fees (note 17(a))	175,180	125,810	482,070	463,883
Labour costs and benefits	285,025	146,887	704,660	345,278
Stock-based compensation (note 13(b))	97,691	55,895	226,696	210,890
	(435,195)	(348,820)	(1,273,060)	(1,472,265)
Interest expense and accretion, net	(91,765)	(31,844)	(233,129)	(97,825)
Other income (loss)	3,891	(6,131)	12,467	(6,131)
Financing costs	(70,500)	-	(97,396)	-
Gain on settlement of debt	4,735	6,000	4,735	21,067
Foreign exchange gain (loss)	78,867	(57,583)	76,994	(47,721)
Loss from continuing operations	(509,967)	(438,378)	(1,509,389)	(1,602,875)
Gain from discontinued operations (note 16)	-	-	-	1,132,583
Net income (loss) for the period	(509,967)	(438,378)	(1,509,389)	(470,292)
Other comprehensive income (loss) for the period:				
Items that may subsequently be reclassified to net income or loss:				
Foreign currency translation	(25,966)	64,053	(225,184)	104,473
<b>Comprehensive loss for the period</b>	<b>(535,933)</b>	<b>(374,325)</b>	<b>(1,734,573)</b>	<b>(365,819)</b>
Loss per share (note 13(d))				
Basic and diluted – continuing operations	(0.00)	(0.00)	(0.01)	(0.01)
Basic and diluted – discontinued operations	-	-	-	0.01

The accompanying notes are an integral part of these consolidated financial statements.

**Organto Foods Inc.**Condensed Interim Consolidated Statements of Cash Flows  
(Unaudited – expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
<b>Operating activities</b>				
Net loss for the period from continuing operations	(509,967)	(438,378)	(1,509,389)	(302,520)
Items not involving cash				
Amortization	1,154	14,084	3,377	43,118
Bad debt expense	30,538	-	30,538	-
Stock-based compensation	97,691	55,895	226,696	210,890
Interest expense and accretion	91,765	31,844	233,129	89,352
Other loss	8,178	-	8,178	-
Warrants issued for financing costs	70,500	-	74,966	-
Gain on settlement of debt	(4,735)	(52,429)	(4,735)	(67,496)
Foreign currency translation	43,701	66,571	(119,691)	123,730
Cash used in operating activities before changes in non-cash working capital	(171,175)	(322,413)	(1,056,931)	(1,203,281)
Changes in non-cash working capital (note 18)	(361,626)	126,615	(219,376)	39,022
Cash used in operating activities from continuing operations	(532,801)	(195,798)	(1,276,307)	(1,164,259)
Cash used in discontinued operations	-	-	-	(369,576)
Cash used in operating activities	(532,801)	(195,798)	(1,276,307)	(1,533,835)
<b>Investing activities</b>				
Intangible assets	-	-	-	(1,520)
Cash used in investing activities	-	-	-	(1,520)
<b>Financing activities</b>				
Proceeds from shares issued in private placement	-	-	1,443,895	-
Proceeds from convertible debentures	-	-	996,500	-
Proceeds from bank loan	-	661,650	680,367	1,309,813
Repayments of bank loan	-	(661,650)	(680,367)	(661,650)
Proceeds from short term loans	40,000	288,858	489,920	907,138
Repayments of short term loans	(88,524)	(34,384)	(613,611)	(42,635)
Interest paid	(80,270)	(28,218)	(163,581)	(86,565)
Cash from financing activities	(128,794)	226,256	2,153,123	1,426,101
Effect of foreign exchange on cash	(31,195)	2	(47,154)	(862)
Increase (decrease) in cash	(692,790)	30,460	829,662	(110,116)
Cash, beginning of period	1,577,017	48,444	54,565	189,020
<b>Cash, end of period</b>	<b>884,227</b>	<b>78,904</b>	<b>884,227</b>	<b>78,904</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Organto Foods Inc.**

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit  
 For the Nine Months Ended September 30, 2020 and 2019  
 (Unaudited – expressed in Canadian Dollars)

	Number of shares	Share capital (\$)	Shares to be issued (cancelled) (\$)	Reserves (\$)	Deficit (\$)	Total (\$)
Balance at January 1, 2019	162,989,355	16,919,767	1,193,846	2,367,396	(21,179,836)	(698,827)
Stock-based compensation	-	-	-	210,890	-	210,890
Shares to be returned and cancelled	-	-	(1,634,340)	-	-	(1,634,340)
Shares issued on receipt of cultivation license	7,461,538	1,193,846	(1,193,846)	-	-	-
Comprehensive loss for the period	-	-	-	104,473	(470,292)	(365,819)
<b>Balance at September 30, 2019</b>	<b>170,450,893</b>	<b>18,113,613</b>	<b>(1,634,340)</b>	<b>2,682,759</b>	<b>(21,650,128)</b>	<b>(2,488,096)</b>
Balance at January 1, 2020	165,016,934	17,061,697	(440,494)	2,737,436	(21,169,425)	(1,810,786)
Shares issued in private placement	30,077,900	1,503,895	-	-	-	1,503,895
Warrants issued in private placement	-	(70,000)	-	70,000	-	-
Finders warrants issued (note 12)	-	-	-	4,466	-	4,966
Warrants issued (note 11)	-	-	-	70,500	-	70,500
Stock-based compensation	-	-	-	226,696	-	226,696
Conversion option of convertible debentures	-	-	-	70,100	-	70,100
Comprehensive loss for the period	-	-	-	(225,184)	(1,509,389)	(1,734,573)
<b>Balance at September 30, 2020</b>	<b>195,094,834</b>	<b>18,495,592</b>	<b>(440,494)</b>	<b>2,954,014</b>	<b>(22,678,814)</b>	<b>(1,669,702)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**1. Nature of operations and going concern**

Organto Foods Inc. (“Organto” or “the Company”) is engaged in the sourcing, processing, packaging, distribution and marketing of fresh organic and value-added vegetable and fruit products. The Company employs an asset-light business model to provide year-round supply of a number of organic and specialty fruits and vegetables to a growing base of socially responsible and health conscious consumers. The Company sources products from strategic third-party suppliers in Europe, South America, Latin America and Africa and currently sells to customers in the European Union and Russia. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSXV”) under the stock symbol “OGO” and on the Frankfurt Stock Exchange under the stock symbol “OGF”.

Incorporated on May 18, 2007 under the laws of the Province of British Columbia, Canada, and previously known as Columbus Exploration Corporation (“Columbus Exploration”), Organto was formed upon the completion of a reverse takeover of Columbus Exploration by Agricola Nuova Terra Guatemala S.A. (“Agricola”) on November 30, 2015, whereby Agricola became a wholly-owned subsidiary of Organto. For the purposes of these consolidated financial statements, the “Company” is defined as Organto and its subsidiaries.

In June 2019 Organto entered into a share purchase agreement to sell its shares of Medicannabis S.A.S. (“Medicannabis”) and related intellectual property to Xebra Brands Ltd. (“Xebra”) for a combination of shares of Xebra, cash and forgiveness of debt. Prior to this agreement, Organto owned 100 per cent of the outstanding shares of Medicannabis, a privately held Colombian company focused on the development of medicinal cannabis. See also notes 7 and 16.

These condensed interim consolidated financial statements have been prepared on a going concern basis which implies that the Company will continue realizing its assets and discharging its liabilities in the normal course of business for the foreseeable future. Should the going concern assumption not continue to be appropriate, further adjustments to carrying values of assets and liabilities may be required. The operations of the Company have historically been funded by the issue of share capital, bank loans, short-term loans and convertible loans. At September 30, 2020, the Company had a working capital deficiency of \$1,873,998 (December 31, 2019 - \$4,027,352) and an accumulated deficit of \$22,678,814 (December 31, 2019 - \$21,169,425). Accordingly, the ability of the Company to realize the carrying value of its assets and continue operations as a going concern is dependent upon its ability to obtain additional financing as needed, continued financial support from related parties, and ultimately on generating future profitable operations. The factors described indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The Company’s head office and principal address is located at 1090 Hamilton Street, Vancouver, British Columbia, V6B 2R9, Canada. The Company has a sales and administration office in Breda, the Netherlands and regional satellite offices are located in Mexico, Guatemala, Argentina and the USA.

**2. Basis of presentation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual financial statements for the year ending December 31, 2019. Certain amounts in the prior period have been reclassified to conform to the presentation in the current period.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on November 18, 2020.

Notes to the Condensed Interim Consolidated Financial Statements  
 For the Three and Nine Months Ended September 30, 2020 and 2019  
 (Unaudited – expressed in Canadian Dollars)

**3. Receivables**

	<b>September 30, 2020 (\$)</b>	<b>December 31, 2019 (\$)</b>
Trade receivables	915,781	98,254
VAT recoverable	6,245	13,811
Insurance claims receivable	14,870	76,107
Other	17,750	14,751
	<b>954,646</b>	<b>202,923</b>

**4. Inventories**

	<b>September 30 2020 (\$)</b>	<b>December 31, 2019 (\$)</b>
Finished goods	17,234	78,401
	<b>17,234</b>	<b>78,401</b>

**5. Prepaid expenses**

	<b>September 30, 2020 (\$)</b>	<b>December 31, 2019 (\$)</b>
Advances to third-party producers	395,172	161,369
Prepaid insurance	15,417	5,833
Other advances and retainers	119	8,325
	<b>410,708</b>	<b>175,527</b>

**6. Property, plant and equipment**

	Machinery & equipment (\$)	Furniture and other (\$)	Total (\$)
<b>Cost</b>			
At January 1, 2019	282,832	800	283,632
Impairment	(240,299)	-	(240,299)
Foreign exchange	(18,150)	-	(18,150)
<b>At December 31, 2019</b>	<b>24,383</b>	<b>800</b>	<b>25,183</b>
Foreign exchange	1,787	-	1,787
<b>At September 30, 2020</b>	<b>26,170</b>	<b>800</b>	<b>26,970</b>
<b>Accumulated amortization</b>			
At January 1, 2019	(106,361)	(778)	(107,138)
Amortization for the year	(57,203)	(22)	(57,226)
Impairment	143,816	-	143,816
Foreign exchange	7,591	-	7,591
<b>At December 31, 2019</b>	<b>(12,156)</b>	<b>(800)</b>	<b>(12,956)</b>
Amortization for the period	(3,377)	-	(3,377)
Foreign exchange	(969)	-	(969)
<b>At September 30, 2020</b>	<b>(16,502)</b>	<b>(800)</b>	<b>(17,302)</b>
<b>Net book value</b>			
<b>At December 31, 2019</b>	<b>12,226</b>	<b>-</b>	<b>12,226</b>
<b>At September 30, 2020</b>	<b>9,668</b>	<b>-</b>	<b>9,668</b>

**7. Investment securities**

In June 2019 Organto entered into a share purchase agreement to sell its shares of Medicannabis and related intellectual property (“IP”) consisting of licenses and seed and cultivar rights to Xebra Brands Ltd. (“Xebra”) for a combination of shares of Xebra, cash and forgiveness of debt. Xebra is an emerging, privately held Canadian cannabis company developing high-margin cannabis-based consumer products, with a major focus on cannabis-infused beverages.

Under the terms of the agreement, Organto, together with the former shareholders and certain advisers of Medicannabis, received a total of 10,000,000 common shares of Xebra, with Organto receiving 7,124,630 common shares and the former shareholders and advisers of Medicannabis receiving 2,875,370 common shares. The Company received shareholder approval and TSXV acceptance of this transaction in October 2019 and final completion of the transaction occurred in December 2019. Upon receipt of Xebra shares in December 2019, the former shareholders and advisers of Medicannabis returned the 7,461,538 common shares of Organto previously issued as part of the acquisition of Medicannabis in November 2018 and these shares were cancelled.

Organto received cash proceeds of \$321,077 in July 2019. In addition to the cash proceeds, promissory notes of \$600,000 due by Organto to Xebra were forgiven and Xebra assumed all outstanding debts and obligations of Medicannabis. Organto was also granted a right of first refusal (“ROFR”) to distribute Xebra's cannabis products throughout Europe. No value has been attributed to the ROFR given the uncertainty of when or if Organto can begin profitably distributing Xebra products in Europe.

As they are not publicly traded, fair value of the Xebra shares is estimated at \$0.30 per share, this being the price of the most recent funding involving financing from external investors, for a total carrying value of \$2,137,389.

**8. Loan receivable**

In March 2019, the Company entered into an agreement to sell the Company's processing plant and related assets, including land, buildings and processing equipment, located in Guatemala, to Organizacion de Marcadeo SA (“Omega”), a company controlled by one of the founding shareholders of Organto Guatemala, S.A., now a subsidiary of the Company.

Under the terms of the agreement, Omega acquired the assets on an as-is basis for consideration of \$935,450. Consideration was paid through the discharge of certain loans (see note 10) from Omega and related parties to Organto in the amount of \$428,782 (US\$314,647), cancellation of 5,873,257 common shares of Organto, and the assumption of an interest-free note payable from Omega in the amount of \$77,185 (US\$56,628), due on the second anniversary of the closing date and secured by a lien on the assets. The fair value of the shares to be cancelled was determined to be \$440,494, and the fair value of the loan payable was determined to be \$66,174. The loan receivable is being accreted to face value over the 2 year term.

A continuity of the balance is shown below:

	(\$)
Balance at January 1, 2019	-
Loan issued	66,174
Accretion	3,843
Foreign exchange	(3,066)
<b>Balance at December 31, 2019</b>	<b>66,951</b>
Accretion	4,161
Foreign exchange	1,727
<b>Balance at September 30, 2020</b>	<b>72,839</b>

**9. Bank loan**

In January 2019, the Company established a revolving credit facility with a Mexican bank for up to US\$500,000. Interest was payable monthly at 12% on any funds borrowed. Borrowed funds were required to be repaid within 180 days after which they could then be re-borrowed. In June 2020 the bank loan of US\$500,000 was settled by issuing \$677,500 of convertible debentures to the bank. See note 12.

A continuity of the balance is shown below:

	(\$)
Balance at January 1, 2019	-
Proceeds	1,325,063
Payments	(660,220)
Foreign exchange	(13,949)
<b>Balance at December 31, 2019</b>	<b>650,894</b>
Proceeds	680,367
Payments	(680,367)
Convertible debenture issued to settle amount outstanding	(677,500)
Foreign exchange	26,606
<b>Balance at September 30, 2020</b>	<b>-</b>

Accrued interest on this loan was recorded in accrued liabilities.

**10. Loan due to Omega S.A.**

As at December 31, 2018 the Company had a loan payable to Organizacion de Marcadeo SA (“Omega”) in the amount of \$270,212 (US\$198,248).

This loan was partially settled when the Company sold its processing plant in Guatemala (see note 8). Under the terms of the sale agreement, part of the consideration paid was the discharge of US\$175,348 of the loan from Omega leaving a balance owing of \$30,320 (US\$22,900). The Company made a payment of US\$3,000 in October 2019 and the balance of US\$19,900 is payable upon satisfaction of all terms of the sales agreement and within 5 business days after the Company completes an equity financing of at least \$200,000.

A continuity of the balance is shown below:

	(\$)
Balance at January 1, 2019	270,212
Loan settled	(238,999)
Payments made by the Company	(3,936)
Payments made by a related party	(1,952)
Foreign exchange	(1,375)
<b>Balance at December 31, 2019</b>	<b>23,950</b>
Foreign exchange	638
<b>Balance at September 30, 2020</b>	<b>24,588</b>

**11. Short-term loans payable**

Secured interest-bearing loans

During 2019 the Company received \$419,100 in short term loans from a number of parties including officers and directors. These loans are secured by a portion of the Company’s investment securities and bear interest at an annual rate 12% for a term of six months. In February 2020 the Company issued 2,135,764 warrants in connection with the \$419,100 of secured interest-bearing loans issued in late 2019. These warrants are exercisable for a period of 12 months at an exercise price of \$0.065 per share.

In April 2020 the Company entered into agreements to extend these loans as follows: \$211,500 of the loans which were to mature in April 2020 and \$72,600 of the loans which were to mature in June 2020 will now mature on October 3, 2020 and December 13, 2020 respectively. The remaining \$135,000 of the loans which were to mature in April 2020 were changed to a maturity date of July 3, 2020. No other changes were made to the terms of these loans.

In May 2020 the Company issued convertible promissory notes of \$74,550 to settle \$73,500 of these loans which were to mature in October 2020 and \$1,050 of associated accrued interest. In June 2020 the Company settled \$60,000 of these loans which were to mature in July 2020 as part of the June 2020 private placement and 1,200,000 common shares and 600,000 warrants were issued. The loans of \$75,000 maturing in July 2020 were repaid in cash together with \$11,826 of accrued interest. Accrued interest at September 30, 2020 was \$27,175 (December 31, 2019 - \$10,064) and is recorded in accrued liabilities.

As at September 30, 2020, \$210,600 of secured interest-bearing loans remain outstanding.

See note 21.

Unsecured interest- bearing loans

During the year ended December 31, 2018 the Company received \$818,740 in bridge loans from insiders and certain shareholders. Interest rates ranged from 0% to 8% with interest paid in equal monthly payments totalling \$5,000 per month on all interest bearing loans. Two of these loans were settled in March 2019 when the Company sold its processing plant in Guatemala. Under

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

---

the terms of the sale agreement, part of the consideration paid was the discharge of the loans from Omega with maturity dates of March 27, 2019 and April 5, 2019. All loans were unsecured and had a term of one year.

In April 2019 the Company entered into an agreement to extend the remaining unsecured, interest bearing bridge loans for one year. In April 2020 the Company entered into a new agreement to extend these loans through March 15, 2021 and in June 2020 the maturity date was further extended to October 1, 2021. These loans now carry an annual interest rate of 12% and are subject to monthly principal and interest payments in the amount of \$12,500 commencing July 2020. These loans are also subject to additional lump sum payments based on funds raised via equity financings, warrant exercises and proceeds from funds raised from the disposition of the Company's investment securities.

Three regular monthly payments were made in the third quarter with \$13,527 applied to principal and \$23,973 for interest. Combined regular and lump sum payments in 2020 totalled \$176,283 with \$148,490 applied to principal (less the foreign exchange impact of \$2,171) and \$27,793 for interest.

As part of the April 2020 extension, the Company agreed to grant 1,500,000 warrants to the lender for a period of eighteen months with an exercise price of \$0.065 per share, subject to the policies of the TSX-V related to payments of principal amounts to which the warrants apply. These warrants were issued in July 2020 and have a total fair value of \$70,500 which has been expensed as a financing cost in the current period. The fair value was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.24%, expected life of 1.5 years and no dividend yield. Accrued interest of \$2,347 (December 31, 2019 - \$1,958) is recorded in accrued liabilities.

As at September 30, 2020, \$411,880 of unsecured interest-bearing loans remain outstanding.

See note 21.

#### Unsecured non-interest-bearing loans

During 2019 the Company received \$165,638 in short term loans from a number of parties including officers and directors, some of which were denominated and repayable in US dollars and Euros. These loans have no fixed terms of repayment. During 2019 the Company repaid \$94,085 of the non-interest-bearing loans. In the first and second quarters of 2020 an additional \$349,920 and \$100,000 in cash was received of which \$383,513 was repaid. Accounts payable of \$72,603 was converted into a loan in the second quarter. A total of \$242,707 of these loans were settled by issuing a like amount of convertible debentures in the second quarter.

As at September 30, 2020, \$41,443 of unsecured non-interest-bearing loans remain outstanding, all denominated in Canadian dollars. The Company recognized a foreign exchange expense of \$25,414 on the US dollar and Euro denominated loans in 2020.

#### Xebra promissory notes

The Company signed promissory notes payable to Xebra for cash proceeds of \$114,000 in the first quarter of 2019. In the second quarter of 2019, the Company signed promissory notes payable to Xebra totalling \$486,000 in exchange for cash proceeds of \$396,731 and for Xebra making payments of \$13,150 directly to suppliers on behalf of Organto. These notes were non-interest bearing and due on demand any time after May 7, 2019. Immediately prior to the sale of its subsidiary Medicannabis, \$55,000 of the short term loans from two directors as noted above and \$21,119 of expense reimbursements due to these directors were assumed by Xebra and then included in the \$600,000 of promissory notes forgiven by Xebra.

#### CEBA loan

In September 2020 the Company received proceeds of \$40,000 under the Canada Emergency Business Account ("CEBA") program. The loan is a 0% interest bearing loan with no principal payments required. The loan can be repaid at any time and \$10,000 of the loan will be forgiven if repaid in full before December 31, 2022. If not repaid by December 31, 2022, the loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2023.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

As all these loans are expected to be repaid in the near future they are recorded at their loan amounts which is considered to be a close approximation of their fair value.

<b>Maturity date</b>	<b>Interest rate</b>	<b>September 30, 2020 (\$)</b>	<b>December 31, 2019 (\$)</b>
<b>Secured interest-bearing loans</b>			
July 3, 2020	12%	-	196,500
October 3, 2020	12%	138,000	95,000
December 13, 2020	12%	72,600	72,600
		<b>210,600</b>	<b>419,100</b>
<b>Unsecured interest-bearing loans</b>			
October 1, 2021	12%	411,880	558,199
<b>Unsecured non-interest-bearing loans</b>			
No fixed maturity date	0%	41,443	119,725
<b>CEBA loan</b>			
December 31, 2022	0%	40,000	-
<b>Total short-term loans payable</b>		<b>703,923</b>	<b>1,097,024</b>

A continuity of the balances is shown below:

	<b>(\$)</b>
Balance at December 31, 2018	926,387
New loans	1,129,737
Loans settled	(171,338)
Principal repaid	(183,288)
Loans forgiven (note 6)	(600,000)
Foreign exchange	(4,474)
<b>Balance at December 31, 2019</b>	<b>1,097,024</b>
New loans	489,920
Principal repaid	(613,638)
To settle accounts payable	72,603
Convertible debenture issued	(316,207)
Common shares issued	(60,000)
Foreign exchange	34,221
<b>Balance at September 30, 2020</b>	<b>703,923</b>

## 12. Convertible debentures

In May and June 2020 the Company completed a private placement of convertible debentures (“the Debentures”) with a total face value of \$2,075,300. The Debentures are unsecured and have a term of two years. \$677,500 of the Debentures bear interest at 12% and the balance bear interest at 10% annually, payable in arrears beginning one year after their date of issuance. Interest on \$1,355,000 of the convertible debentures is being paid monthly. Accrued interest at September 30, 2020 of \$29,404 is recorded in accrued liabilities.

The Debentures are convertible into shares of Organto at \$0.05 per share in the first 12 months and \$0.10 thereafter. Interest is not convertible. The Holder may convert all or part of the Debentures at any time. If, at any time after 4 months from the date of issuance, the closing price of the Company’s shares exceeds the conversion price by \$0.05 or more for ten consecutive trading days, the Company has the right to force conversion of the Debentures.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

The Company initially recorded \$2,005,200 as the fair value of the debt component of the Debentures, with the residual amount of \$70,100 allocated to the equity component of the Debentures. The debt component of the Debentures is being accreted to the face value of the loan over the two year term.

Certain of the convertible debentures were issued to settle the Company’s bank loan, accounts payable and short-term loans payable and accrued interest. A total of \$26,896 in finders fees is recorded in financing costs, of which \$22,430 was paid in cash. The finders were also issued 223,300 warrants with each warrant entitling the holder to purchase one common shares at a price of \$0.10 for a period of two years. These finders warrants have a total fair value of \$4,466 which was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield.

Convertible debentures at September 30, 2020 are comprised of:

	(\$)
Convertible debentures issued for:	
Cash	996,500
To settle bank loan	677,500
To settle accounts payable	84,600
To settle short term loans	315,650
To settle accrued interest	1,050
Allocated to equity component	(70,100)
Accretion	10,400
<b>Balance at September 30, 2020</b>	<b>2,015,600</b>

See note 21.

**13. Share capital**

(a) Common shares

The Company is authorized to issue an unlimited common shares without par value. At September 30, 2020 the Company had 195,094,834 (December 31, 2019 – 165,016,934) common shares issued and outstanding. Included in issued common shares are 5,873,257 common shares to be cancelled upon the completion of documentation pertaining to the sale of the Company’s processing plant and related assets in Guatemala (see note 8).

In May 2020 the Company initiated a non-brokered private placement of 30,077,900 units. Each unit consisted of one common share and one half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.10 for a period of two years. If, at any time after four months from the date of issue, the closing price of the Company’s common shares as traded on the TSX-V is equal to or greater than \$0.15 for 10 consecutive trading days or more, the Company may, in its sole discretion, accelerate expiry of the warrants to the earlier of: (i) the 30<sup>th</sup> day after the date on which such notice is given; and the original expiry date of the warrants.

In May 2020 the Company closed the first tranche of its non-brokered private placement and issued 14,000,000 units for gross proceeds of \$700,000. The Company applied the residual method to account for the issuance of the warrants and recorded \$70,000 in reserves (note 13 (e)).

In June 2020 the Company closed the second and final tranche of its non-brokered private placement and issued 16,077,900 units for gross proceeds of \$803,895 of which 1,200,000 units were issued to settle short term loans of \$60,000. The Company applied the residual method to account for the issuance of the warrants and recorded \$nil in reserves as the full value of the proceeds have been allocated to share capital.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

See note 21.

(b) Share options

The Company has adopted a rolling stock option plan whereby the Board of Directors, may from time to time, grant options to directors, officers, employees or non-employee service providers to a maximum of 10% of the outstanding common shares of the Company at any point in time, less any share options already reserved for issuance under share options granted under previous stock option plans of the Company or granted under any other employee incentive purchase plan that the Company may adopt. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's Board of Directors.

1,030,000 share options were granted during the quarter ended June 30, 2020 of which 400,000 have an exercise price of \$0.07 and a term of five years, 400,000 have an exercise price of \$0.10 and a term of one year, and 130,000 have an exercise price of \$0.10 and a term of five years. The 400,000 options with an exercise price of \$0.10 vest 25% every 3 months and the other options vest 20% immediately and then 20% annually thereafter.

2,650,000 share options were granted during the quarter ended September 30, 2020 with an exercise price of \$0.10 and a term of five years. 1,300,000 of the options granted vest 25% immediately and then 25% every 6 months thereafter and 1,350,000 of the options granted vest 20% immediately and then 20% annually thereafter.

1,000,000 unvested share options with an exercise price of \$0.18 and an expiry date in October 2022 were forfeited during the quarter ended June 30, 2020.

The continuity of the Company's share options is as follows:

	Total options		Exercisable options	
	Total options	Weighted average exercise price (\$)	Exercisable options	Weighted average exercise price (\$)
Balance, January 1, 2019	12,430,000	0.16	6,422,917	0.18
Granted	5,475,000	0.07	1,361,250	0.07
Forfeited	(4,555,000)	0.156	(3,016,250)	0.167
Expired	(340,000)	0.146	(573,334)	0.142
Vested	-	-	1,909,167	0.136
<b>Balance at December 31, 2019</b>	<b>13,010,000</b>	<b>0.124</b>	<b>6,103,750</b>	<b>0.147</b>
Granted	3,680,000	0.097	721,000	0.097
Vested	-	-	1,312,500	0.089
Forfeited	(1,000,000)	0.18	-	-
Expired	(1,040,000)	0.186	(1,040,000)	0.186
<b>Balance at September 30, 2020</b>	<b>14,650,000</b>	<b>0.117</b>	<b>7,097,250</b>	<b>0.125</b>

A summary of the Company's share options outstanding and exercisable at September 30, 2020 is as follows:

Exercise price (\$)	Average years to expiry	Number of options outstanding	Number of options exercisable
0.07	4.21	5,725,000	2,286,250
0.08	3.68	150,000	60,000
0.10	4.37	3,280,000	741,000
0.135	3.20	2,825,000	1,580,000
0.15	2.75	600,000	360,000
0.18	2.03	1,545,000	1,545,000
0.20	0.17	525,000	525,000
	<b>3.29</b>	<b>14,650,000</b>	<b>7,097,250</b>

The Company recognizes stock based compensation over the vesting period of the underlying options using the Black-Scholes Option Pricing Model for those options with set vesting dates and the Binomial Method for those options which vest based on market conditions. Option pricing methods require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted and/or vested during the period. The fair value of the options granted in 2020 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 120-123%, risk free interest rates of 0.30%-0.52%, expected lives of 1-5 years and no dividend yield. The fair value of the options granted in 2019 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 117-120%, risk free interest rates of 1.31%-1.57%, expected lives of 5 years and no dividend yield. The fair value of the options granted in 2018 was calculated using the Black-Scholes model with the following inputs: expected price volatility of 121-128%, risk free interest rate of 1.90%, expected life of 5 years and no dividend yield.

The Company recognized \$97,691 in the three months ended September 30, 2020 (2019 - \$55,895) and \$226,696 in the nine months ended September 30, 2020 (2019 - \$210,890) as stock-based compensation expense.

(c) Warrants

In February 2020, the Company issued 2,135,764 warrants in connection with the \$419,100 of secured interest-bearing loans issued in late 2019. These warrants are exercisable for a period of 12 months at an exercise price of \$0.065 per share (note 12). The fair value of these warrants was insignificant.

In May 2020, the Company issued 223,300 warrants in connection with the convertible debentures issued in May 2020. These warrants are exercisable for a period of two years at an exercise price of \$0.10 per share. The fair value of these warrants of \$4,466 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.44%, expected life of 2 years and no dividend yield.

In May 2020 the Company issued 7,000,000 warrants in connection with the first tranche of the non-brokered private placement of shares completed in May 2020 (note 13 (a)). These warrants are exercisable for a period of two years at an exercise price of \$0.10 per share and are subject to an accelerated expiry provision. The Company applied the residual method to account for the issuance of the warrants and recorded their fair value of \$70,000 in reserves (note 13 (e)).

In June 2020 the Company issued 8,038,950 warrants in connection with the second and final tranche of the non-brokered private placement of shares completed in June 2020 (note 13 (a)). These warrants are exercisable for a period of two years

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

at an exercise price of \$0.10 per share and are subject to an accelerated expiry provision. The Company applied the residual method to account for the issuance of the warrants and calculated their fair value of \$nil.

In July 2020, the Company issued 1,500,000 warrants as part of the agreement reached in April 2020 to extend the unsecured interest-bearing loans originally issued in 2018. These warrants are exercisable for a period of 18 months at an exercise price of \$0.065 per share (note 11). The fair value of these warrants of \$70,500 was calculated using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 122%, risk free interest rate of 0.24%, expected life of 1.5 years and no dividend yield.

Warrants are exercisable as follows:

Grant date	Number of warrants	Exercise price (\$)	Expiry date
February 2020	2,135,764	0.065	February 2021
May 2020	223,300	0.10	May 2022
May 2020 *	7,000,000	0.10	May 2022
June 2020 *	8,038,950	0.10	June 2022
July 2020 **	382,900	0.065	July 2021
July 2020 **	1,117,100	0.065	January 2022
	<b>18,898,014</b>	<b>0.093</b>	

\* If, at any time after four months from the date of issue, the closing price of the Company's common shares as traded on the TSX-V is equal to or greater than \$0.15 for 10 consecutive trading days or more, the Company may, in its sole discretion, accelerate expiry of the warrants to the earlier of: (i) the 30th day after the date on which such notice is given; and the original expiry date of the warrants.

\*\* These warrants are subject to a term reduction as the underlying loan is repaid as per TSXV policy 5.1.

The continuity of the Company's warrants is as follows:

	Number of warrants	Weighted average exercise price (\$)
Balance at January 1, 2019	51,590,378	0.17
Expired	(46,090,378)	0.16
<b>Balance at December 31, 2019</b>	<b>5,500,000</b>	<b>0.20</b>
Issued	18,898,014	0.093
Expired	(5,500,000)	0.20
<b>Balance at September 30, 2020</b>	<b>18,898,014</b>	<b>0.093</b>

See note 21.

(d) Loss per share

	Three months ended September 30		Nine months ended September 30	
	2020 (#)	2019 (#)	2020 (#)	2019 (#)
Weighted average common shares – basic and diluted	195,094,834	170,450,893	181,180,859	167,772,392

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

(e) Reserves

	Options (\$)	Warrants (\$)	Other reserves (\$)	Cumulative translation (\$)	Total (\$)
Balance, January 1, 2019	793,080	235,471	592,513	746,332	2,367,396
Stock-based compensation	275,047	-	-	-	275,047
Accumulated comprehensive income	-	-	-	94,993	94,993
<b>Balance at December 31, 2019</b>	<b>1,068,127</b>	<b>235,471</b>	<b>592,513</b>	<b>841,325</b>	<b>2,737,436</b>
Stock-based compensation	226,696	-	-	-	226,696
Fair value of warrants issued	-	144,966	-	-	144,966
Conversion option of convertible debentures	-	-	70,100	-	70,100
Accumulated comprehensive income	-	-	-	(225,184)	(225,184)
<b>Balance at September 30, 2020</b>	<b>1,294,823</b>	<b>380,437</b>	<b>662,613</b>	<b>616,141</b>	<b>2,954,014</b>

14. Cost of sales

	Three months ended September 30		Nine months ended September 30	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Produce purchases	2,247,929	1,598,816	5,248,732	1,698,222
Materials and transportation	197,911	160,405	466,554	264,992
Other	5,290	2,213	116,638	14,543
	<b>2,451,130</b>	<b>1,761,434</b>	<b>5,831,924</b>	<b>1,977,757</b>

15. Selling, general and administration expenses

	Three months ended September 30		Nine months ended September 30	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Administration and office	83,140	80,059	337,469	280,039
Professional fees	48,418	99,746	167,182	268,526
Overhead and operating	1,154	14,083	3,377	54,443
Bad debt expense	30,538	-	30,538	-
	<b>163,250</b>	<b>193,888</b>	<b>538,566</b>	<b>603,008</b>

16. Gain from discontinued operations

The Company sold its shares of Medicannabis in June 2019 (see note 7). The gain from discontinued operations was calculated as:

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Xebra shares (7,124,630 shares at \$0.30 per share)	-	-	-	712,463
Cash	-	-	-	321,077
Promissory notes forgiven	-	-	-	600,000
Organto shares to be cancelled	-	-	-	1,193,846
<b>Total proceeds</b>	-	-	-	<b>2,827,386</b>
Intangible assets sold	-	-	-	(1,325,227)
Gain on sale of subsidiary	-	-	-	1,502,159
Operating costs:				
Administration and office	-	-	-	(46,411)
Professional fees	-	-	-	(242,097)
Overhead and operating	-	-	-	(53,324)
Labour costs and benefits	-	-	-	(27,744)
	-	-	-	<b>1,132,583</b>

**17. Related party transactions**

(a) Directors and key management personnel compensation:

	Three months ended September 30		Nine months ended September 30	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Salaries, consulting and management fees	156,503	105,963	422,820	386,566
Short-term employee benefits	-	4,962	-	14,828
Stock based compensation	45,786	29,287	151,677	118,769
	<b>202,289</b>	<b>140,212</b>	<b>574,497</b>	<b>520,163</b>

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended September 30, 2020 and 2019.

(b) Transactions with related parties:

	Three months ended September 30		Nine months ended September 30	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Management and administrative services from companies with common directors or officers	138,507	62,338	395,128	191,875
Product sales to a company with a common officer	78,502	220,019	119,471	220,019
	<b>217,009</b>	<b>282,357</b>	<b>514,599</b>	<b>411,894</b>

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

(c) Outstanding balances included in accounts payable arising from purchases of services:

	September 30, 2020	December 31, 2019
	(\$)	(\$)
Salaries, consulting and management fees	599,206	570,703
Administration services	149,114	100,844
Expense reimbursements	13,077	54,487
Product purchases	-	2,753
<b>Balance, end of period</b>	<b>761,397</b>	<b>726,034</b>

(d) Outstanding balances included in accounts receivable arising from sale of products:

	September 30, 2020	December 31, 2019
	(\$)	(\$)
Sales of product	4,861	7,857
<b>Balance, end of period</b>	<b>4,861</b>	<b>7,857</b>

(e) Loans from directors and key management personnel:

	(\$)
Balance at January 1, 2019	107,648
Loans received	394,737
Loans repaid	(160,107)
Foreign exchange	6,549
<b>Balance at December 31, 2019</b>	<b>348,827</b>
Loans received	346,922
Loans repaid	(280,515)
Loans settled with convertible debentures	(243,604)
Foreign exchange	25,413
<b>Balance at September 30, 2020</b>	<b>197,043</b>

**18. Supplemental cash flow information**

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
	(\$)	(\$)	(\$)	(\$)
Changes in non-cash working capital				
Receivables	(424,920)	(248,598)	(782,261)	(399,769)
Inventories	16,828	(77,078)	61,167	(86,407)
Prepaid expenses	(342,404)	51,893	(243,359)	33,327
Accounts payable and accrued liabilities	388,870	400,398	745,077	491,871
	<b>(361,626)</b>	<b>126,615</b>	<b>(219,376)</b>	<b>39,022</b>

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

Non-cash investing and financing activities includes the following:

	Three months ended September 30		Nine months ended September 30	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
Common shares issued:				
to settle short-term loans payable	-	-	60,000	-
to settle short-term loans payable as part of Medicannabis acquisition	-	-	-	1,193,846
Common shares to be cancelled:				
as part of the sale of the processing plant in Guatemala	-	-	-	(440,494)
as part of the sale of Medicannabis	-	-	-	(1,193,846)
Convertible debentures issued:				
to settle bank loan	-	-	677,500	-
to settle short-term loans payable	-	-	315,650	-
to settle accrued interest	-	-	1,050	-
to settle accounts payable	-	-	84,600	-
Accounts payable settled with short term loans	-	-	72,603	-
Loans settled:				
as part of the sale of the processing plant in Guatemala	-	-	-	171,338
as part of the sale of Medicannabis	-	-	-	600,000

## 19. Segmented information

The Company has one reportable business segment, being the sourcing, processing, packaging and distribution of organic and specialty food products. Significant customer sales are:

Customer	Customer Location	Three months ended September 30				Nine months ended September 30			
		2020 (\$)	%	2019 (\$)	%	2020 (\$)	%	2019 (\$)	
Customer A	Europe	352,025	13	1,350,288	70	1,159,426	18	1,360,686	64
Customer B	Europe	321,276	12	-	-	707,982	11	-	-
Customer C	Europe	203,613	7	-	-	593,548	9	-	-
Customer D	Europe	218,580	8	13,474	1	351,639	5	68,593	3
Others	Europe	1,641,586	60	571,332	29	3,698,261	57	699,272	33
		<b>2,737,081</b>	<b>100</b>	<b>1,935,094</b>	<b>100</b>	<b>6,510,856</b>	<b>100</b>	<b>2,128,551</b>	<b>100</b>

Information by geographical areas is as follows:

	September 30, 2020 (\$)	December 31, 2019 (\$)
<b>Non-current assets</b>		
Canada	2,210,228	2,204,340
Netherlands	9,668	12,226
	<b>2,219,896</b>	<b>2,216,566</b>

**20. Commitments**

At September 30, 2020 the Company had entered into agreements with service providers which call for minimum payments as follows:

	Within 1 year (\$)	Between 1 and 5 years (\$)	After 5 years (\$)	Total (\$)
Management fees	141,003	-	-	141,003
Administration fees	2,350	-	-	2,350
	<b>143,353</b>	<b>-</b>	<b>-</b>	<b>143,353</b>

**21. Subsequent events**

Shares for debt

In October 2020 the Company settled accounts payable of \$84,080 by issuing 990,795 common shares.

Secured interest-bearing loans

In October 2020 \$138,000 of the secured interest-bearing loans became due. These lenders exercised warrants originally issued to them in February 2020 and 704,872 common shares were issued. The proceeds from the exercise of the warrants totalled \$45,817 and offset the total principal that was to be repaid. A total of \$108,409 was repaid in October 2020 which included \$16,226 in accrued interest.

Unsecured interest-bearing loans

In October 2020 the warrants that were issued in July 2020 in connection with the extension of the unsecured interest-bearing loans were fully exercised and 1,500,000 common shares were issued. The proceeds from the exercise of the warrants totalled \$97,500 which was applied to the principal outstanding. The common shares issued were subject to a hold period that expired November 15, 2020.

Convertible debentures

In October 2020 \$762,100 of the Debentures was converted and 15,242,000 common shares were issued. Accrued interest of \$4,079 was paid.

In November 2020 \$456,050 of the Debentures was converted and 9,121,000 common shares were issued. Accrued interest of \$11,988 was paid.

Global Coronavirus Pandemic

In early 2020 the onset of the coronavirus pandemic began impacting global economies. Since then million of cases of the disease have been identified around the world, including regions that are important to the Company's business in terms of sales, product supply and other aspects of its supply chain. The Company has continued to operate during the outbreak. Essential food supply chains have been maintained in these difficult times, although not without their issues due to logistics and labor challenges, and the Company has continued to work with its supply partners and customers to bring product to market. As the coronavirus pandemic plays out around the world, the full impact on the Company's business from this is unknown at this time and difficult to predict. An extended pandemic outbreak including the potential of additional waves in many countries already impacted, or dramatic increase in actions taken by Governments to control transmission of the virus could cause the Company's key third party suppliers or the Company itself to temporarily close, which could lead to a shortage of raw materials and finished products. Also,

**Organto Foods Inc.**

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited – expressed in Canadian Dollars)

---



if one or more of the Company's key customers were required to close for an extended period, the Company might not be able to ship products to them, and consumers may decrease their level of purchasing activity, which would also adversely impact the Company's net sales. Any of the foregoing events or other unforeseen consequences could materially adversely affect the Company's business, results of operations, financial condition and/or cash flows.